

Summary #'s

LJM Investments

LJM Cayman - Benefit Summary

	<u>Funds Flow (\$ in millions)</u>			<u>Earnings (\$ in millions)</u>		
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
<i>LJM Cayman</i>						
Cuiaba	\$12.3	\$0.0	\$12.3	\$0.0	\$20.0	\$20.0
RhythmsNet Derivative	0.0	255.5	255.5	0.0	222.0	222.0
Osprey	15.0	1,485.0	1,500.0	0.0	0.0	0.0
ENE Promissory Note	<u>64.0</u>	<u>0.0</u>	<u>64.0</u>	<u>1.8</u>	<u>0.0</u>	<u>1.8</u>
Subtotal LJM Cayman	\$91.3	\$1,740.5	\$1,831.8	\$1.8	\$242.0	\$243.8

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LJM Investments

LJM2 - Benefit Summary

	Funds Flow (\$ in millions)			Earnings (\$ in millions)		
	Direct	Indirect	Total	Direct	Indirect	Total
LJM2						
SE Acquisitions ^(a)	\$0.0	\$0.0	\$0.0	\$2.2	\$0.0	\$2.2
Nowa Saryzna	30.0	7.9	37.9	16.0	4.0	20.0
Resco	[TBD]	0.0	0.0	20.0	0.0	20.0
ENA CLO Equity	6.3	0.0	6.3	0.0	19.0 ^(b)	19.0
ENA CLO Debt	11.2	156.7	167.9 ^(c)	0.0	0.0	0.0
EEX	3.3	101.7	105.0	5.0	0.0	5.0
Coyote Springs II	0.0	39.0	39.0	0.0	3.0	3.0
Pluto	0.8	24.0	24.8	2.5	0.0	2.5
Yosemite	33.8	766.2	800.0	0.0	0.0	0.0
Raptor	0.0	0.0	0.0	74.9	443.0	517.9
Rawhide ^(d)	0.0	750.0	750.0	0.0	0.0	0.0
Backbone	30.0	69.0	99.0	55.0	21.7	76.7 ^(e)
Bargeco	0.0	28.0	28.0	2.0	12.0	14.0 ^(f)
EE&CC Turbines	0.0	0.0	0.0	0.0	1.5	1.5
Raptor / TNPC	0.0	0.0	0.0	0.0	196.0	196.0
NetWorks	8.0	200.0	208.0	0.0	100.0	100.0
Avici	1.1	34.6	35.7	0.0	0.0	0.0
Catalytica	1.8	58.2	60.0	0.0	0.0	0.0
TNPC	0.0	0.0	0.0	0.0	0.0	0.0
Osprey	26.0	1,134.0	1,160.0	0.0	0.0	0.0
Margaux	10.0	115.0	125.0	0.0	0.0	0.0
Subtotal LJM2	\$162.3	\$3,484.3	\$3,646.6	\$177.6	\$800.2	\$977.8

- (a) Facilitated LJM2's ability to purchase the following assets from Enron at year-end 1999: Nowa Saryzna, ENA CLO debt and equity, EEX and Pluto.
- (b) Instituting a sharing ratio for earnings in excess of a 30% return on LJM's capital allowed the business unit to show no loss on the Merlin transaction. Without the sharing ratio, the business unit would have suffered a \$19 million loss.
- (c) \$174.2 million is the total fund flow for the Merlin transaction (including debt and equity), which was made feasible by LJM2's purchase of the equity and the bridge piece.
- (d) LJM2's purchase of Harch Capital's equity investment facilitated the extension of the Rawhide structure.
- (e) Earnings to Enron include \$55 million gain on sale, \$2.7 million of interest received on seller-financing, and \$21.7 million of upside sharing when the fibers were sold and LJM2 received its agreed upon return.
- (f) Merrill Lynch purchased Bargeco from Enron with the understanding that they would be taken out within six months. LJM2 purchased Merrill's interest preserving the relationship and as an alternative to Enron buying it back and reversing \$12.0 million of earnings and \$28.0 million of funds flow taken on the original transaction with Merrill in 1999. \$2.0 million of earnings were interest earned on seller financing.

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LJM Investments

Overall - Benefit Summary

	<u>Funds Flow (\$ in millions)</u>			<u>Earnings (\$ in millions)</u>		
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
<i>LJM Cayman</i>	\$91.3	\$1,740.5	\$1,831.8	\$1.8	\$242.0	\$243.8
<i>LJM2</i>	<u>162.3</u>	<u>3,484.3</u>	<u>3,646.6</u>	<u>177.6</u>	<u>800.2</u>	<u>977.8</u>
Total	\$253.6	\$5,224.8	\$5,478.4	\$179.4	\$1,042.2	\$1,221.6

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Definitions

Definitions

Direct Funds Flow- Usually the direct investment made by LJM. For example, LJM invested \$30 million of equity in the Backbone fibers or LJM purchased the Catalytica 125 equity for \$1.8 million.

Indirect Funds Flow- Any other funds flow that resulted from LJM's direct investment. For example, LJM's Catalytica 125 equity was joined with \$58.2 million of debt so Enron received proceeds (total funds flow) of \$60 million, but only a portion of that is directly attributable to LJM.

Direct Earnings- Direct earnings to Enron including: gain on sale, interest income received on seller financing, etc. For example, Backbone generated a gain on sale of \$55 million. The seller financing produced \$2.7 million of interest income. For Raptor, direct earnings is from swaps that have settled.

Indirect Earnings- Usually earnings taken in previous periods that Enron would not have to reverse because a transaction with LJM preserved them. Also includes Enron's participation in upside sharing when the asset is sold by LJM. For example, the sale by LJM of the Backbone fibers to a 3rd party generated \$21.7 million of upside for Enron (the value above and beyond LJM's agreed upon return). For Raptor, indirect earnings are from unsettled swaps.

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Bullet Points

LJM Investments

Deal Benefit Summary - Alphabetical

Avici

- Speed of execution (two weeks)
- No other 3rd party would purchase 125 equity on a public security (capped upside, all downside)

Backbone

- Created funds flow
- Generated earnings to reach EBS's earnings target
- Provided upside to EBS on ultimate sale to 3rd party

BargeCo

- Preserved Merrill Lynch relationship by taking them out
- Unless Enron could find another 3rd party buyer for Nigerian barges, Enron would have reversed earnings from sale to Merrill

Catalytica

- Speed of execution (two weeks)
- No other 3rd party would purchase 125 equity on a public security (capped upside, all downside)

Coyote Springs II

- Facilitated Enron's deal to sell a turbine and development project to Avista
- Brought forward earnings to time of sale rather than over time

Cuiaba

- Deconsolidated the power plant and generated mark-to-market earnings on the gas supply contract
- LJM agreed to an extension without a step-up in return, saving ESA money and allowing more time for ESA to sell Cuiaba *+1 mn*

EE&CC Turbines

- Kept a turbine off Enron's balance sheet and allowed Enron the optionality to buy it back
- LJM extended the option exercise period to give Enron further flexibility even though the turbine's value was decreasing

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LJM Investments

Deal Benefit Summary - Alphabetical

EEX (Bob West Treasure)

- Allowed ENA to mark-to-market gains on gas prepay
- Provided time to refinance the debt and generate further gains

ENA CLO Debt & Equity (Merlin)

- LJM was "the plug" for the BB notes that couldn't be sold
- LJM shared the upside on the equity tranche with ENA, allowing ENA to avoid an earnings loss on the transaction

LJM Cayman Formation

- Funds flow from the promissory note and unlocking of increased value of Enron shares

Margaux

- Deconsolidated Sarlux, Trakya, Nowa Sarzyna

NetWorks

- Deconsolidated the pulp & paper business
- Generated \$100 million of earnings

Nowa Sarzyna

- Deconsolidated the power plant until Margaux closed

Osprey

- LJM provided ease and certainty of execution while marketing continued with other 3rd parties

Pluto (MEGS)

- Allowed ENA to mark-to-market earnings on the gas gathering contract
- No other 3rd party would take the Mariner exposure in the timeframe that LJM did

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LJM Investments

Deal Benefit Summary - Alphabetical

Raptors (1,2,4)

- Avoided realized losses of \$75 million and unrealized losses of \$443 million on Enron's volatile investments
- LJM extremely accomodating on derivative approval

Raptor 3 (TNPC)

- Avoided unrealized losses of \$196 million on Enron's total return swap exposure in Hawaii 125-O

Rawhide

- LJM purchased Harch's equity, facilitating Rawhide's extension (Harch needed out and would not agree to extension)

Resco

- Deconsolidated EES's residential business while it gained critical mass
- Avoided consolidation of negative earnings onto Enron's income statement

RhythmsNet

- Generated \$222 million of earnings on Enron's income statement
- LJM was the only counterparty available for guaranteed execution and confidentiality

SE Acquisition Loan

- Provided additional liquidity to LJM to make Enron investments and generated interest income for Enron

TNPC

- LJM provided capital prior to the IPO
- LJM brought in additional capital by bringing in co-investors

Yosemite

- Speed of execution (deal that had to close by year-end)
- Provided additional time to find permanent 3rd party buyer for the equity

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